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## IMMIGRATION AND CRISES.

Amid all the diverse views on the various aspects of the immigration problem, there is coming to be a practical unanimity of opinion on one fundamental proposition—namely, that immigration today is essentially an economic phenomenon. However strongly the desire for political or religious liberty, or the escape from tyranny, may have operated in the past to stimulate emigration from foreign countries, the one great motive of the present immigrant is the desire to better his economic situation. Even in cases where political and religious oppression still persists, it usually expresses itself through economic disabilities. The great attraction of the United States for the modern immigrant lies in the economic advantages which it has to offer. The latest authoritative recognition of this fact is that given by the Immigration Commission, which emphasizes it in numerous places in its report. If, then, immigration is so closely bound up with the industrial situation in this country, it would seem that there should be some relation between immigration and the industrial depressions or crises which are such a characteristic feature of our economic life. It is the purpose of this paper to seek to determine what this relation is. One aspect of the matter is perfectly obvious and has been thoroughly recognized for a long time, namely, that the volume of the immigration current is regulated by the industrial prosperity of this country. A period of good times brings with it a large volume of immigration, while hard times reduce the current to a minimum. This has been worked out statistically by Prof. John R. Commons, and is presented in graphic form in a chart in his book, *Races and Immigrants in America*.<sup>1</sup> Imports per capita are taken as the best indication of prosperity in this country, and the curve which represents this factor is shown to be almost exactly similar to the one representing the number of immigrants per 10,000 population.

Another fact which is equally obvious, and which has been given much prominence in recent years, is that a period of depression in this country is followed by a large exodus of aliens. The popular interpretation of this fact is that this emigration movement serves to mitigate the evils of the crisis by removing a large part of the surplus laborers, until returning prosperity creates a de-

<sup>1</sup>Opposite p. 64.

mand for them again. The Italian, who displays the greatest mobility in this regard, has been called the safety valve of our labor market. Thus the movements of our alien population are supposed to be an alleviating force as regards crises. How well this interpretation fits the facts will appear later. Prof. Commons takes a different view of the matter, and in another chapter of the book quoted demonstrates how immigration, instead of helping matters, is really one of the causes of crises. His conclusion is that "immigration intensifies this fatal cycle of 'booms' and 'depressions,'" and "instead of increasing the production of wealth by a steady, healthful growth, joins with other causes to stimulate the feverish over-production, with its inevitable collapse, that has characterized the industry of America more than that of any other country."<sup>2</sup> The few pages which Prof. Commons devotes to this topic are highly suggestive, and so far as the present writer is aware, contain the best discussion of the subject which has yet been offered. Prof. Commons, however, at the time this book was written, was handicapped by the lack of certain data which have since become available. Up till 1907 no official records were kept of departing aliens, and no exact information as to their number was available. But beginning with July of that year, the reports of the Commissioner-General of Immigration have furnished these figures, and the recent reports contain tables almost as complete for departing as for arriving aliens. Furthermore, within this period the United States has experienced, and recovered from, a severe depression, so that the material is at hand for a concrete study of the matter in question.

First of all, it will be desirable to see just what the facts of immigration and emigration during this period are; then we shall be prepared to attempt their interpretation. The accompanying table (p. 755) gives the number of aliens admitted to and departed from the United States, and the net increase or decrease of population resulting therefrom, by months, from January 1907 to December 1910 (with the exception of the figures of departures for the first six months of 1907, which are not available).

The figures for arrivals given in this table include both immigrant and nonimmigrant aliens, a distinction which has been observed with some care since 1906. The column of departures also includes emigrant and nonemigrant aliens. Immigrant aliens are

<sup>2</sup> Pp. 155-159.

TABLE SHOWING THE NUMBER OF ALIENS ADMITTED TO AND DEPARTED FROM THE UNITED STATES, AND THE NET GAIN OR LOSS IN POPULATION RESULTING THEREFROM BY MONTHS FROM 1907 TO 1910

Month	1907			1908			1909			1910		
	Admitted	Departed	Gain (+) or Loss (-)	Admitted	Departed	Gain (+) or Loss (-)	Admitted	Departed	Gain (+) or Loss (-)	Admitted	Departed	Gain (+) or Loss (-)
January	54,417			53,038	60,223	-27,175	54,975	18,061	+36,914	57,472	20,256	+37,216
February	65,541			50,266	50,688	-20,422	81,992	15,100	+66,892	66,072	17,672	+48,400
March	139,118			43,537	43,506	+31	135,040	22,550	+112,490	152,020	30,804	+121,216
April	145,236			55,220	65,721	-10,501	138,382	24,315	+114,067	153,015	40,886	+112,029
May	184,836			48,245	61,257	-13,006	127,139	31,100	+96,039	148,822	38,740	+110,082
June	154,734			41,094	60,482	-19,388	100,542	32,274	+68,268	115,703	36,119	+79,584
July	107,535	46,198	+61,337	87,133	51,508	-14,375	77,944	27,940	+50,004	82,191	39,056	+43,135
August	111,135	44,317	+66,818	39,006	47,569	-7,933	71,992	23,450	+48,542	91,460	37,206	+54,254
September	115,257	43,734	+71,523	56,655	43,884	+12,751	85,088	29,350	+55,738	100,456	43,023	+57,433
October	129,564	55,826	+73,738	60,715	41,916	+18,799	92,372	30,338	+62,034	100,334	39,189	+61,145
November	132,647	94,440	+38,207	50,935	38,709	+12,226	89,020	39,134	+50,886	86,144	54,700	+31,444
December	77,107	88,432	-11,325	61,111	83,416	+27,695	78,527	39,539	+38,988	68,794	61,814	+6,980

those whose last permanent residence has been in some foreign country and who have come to the United States with the expressed intention of residing here permanently. Nonemigrant aliens are of two classes, those whose last permanent residence was in the United States, but who have been abroad for a short time, and those whose last permanent residence was abroad, but who come to the United States without the intention of remaining permanently, including aliens in transit. Emigrant aliens are those whose last permanent residence has been in the United States and who are going abroad with the intention of residing there permanently. Nonemigrant aliens are of two classes, those whose last permanent residence has been in the United States and who are going abroad for a brief visit, and those whose last permanent residence has been other than the United States but who have been here for a short time, including aliens in transit. In all cases, the expressed intention of the alien is accepted in regard to residence, and an intended residence of twelve months constitutes a permanent residence either in the past or future. Thus there are six distinct classes of aliens, coming and going, and the way is open for some very complicated comparisons. For our present purposes, however, it is not necessary to make these comparisons. As far as aliens in transit are concerned, they are counted as arrivals at the port of entry, and as departures at the port of exit, so that they cancel, and do not affect the net increase or decrease of population. They do not affect the labor market, as they are supposed to pass by a direct and continuous journey through the territory of the United States within thirty days, otherwise the head tax is not refunded. The other classes of nonimmigrant and nonemigrant aliens should rightfully be included in the table for the present study, as they affect the labor market. Particularly those incoming aliens who are "nonimmigrant" because their last permanent residence was in the United States, and those "non-emigrant" aliens who are such because they are leaving the country only for a short time include, to a great extent, just those individuals in whom we are most interested. The tables of arrivals and departures by months do not differentiate the two classes of nonimmigrant, and the two classes of nonemigrant, aliens, so that it is impossible to make monthly comparisons of these factors. Fortunately, as stated above, it is not necessary for our present purpose; the totals of arrivals and departures of all classes of aliens are a sufficient general indication of the movements which

we wish to study. A more detailed examination of the make-up of the stream of arrivals and departures, by years, will be given later.

Turning then to the table, we observe that the monthly average of arrivals during the first six months of 1907 was a high one. Following a large immigration during the last six months of the preceding year, this made the fiscal year ending June 30, 1907, the record year for immigration in the history of the country. For the next four months the stream of immigration continued high, considering the season, and the number of departures was moderate. Early in October, however, there were signs of disturbance in the New York Stock Exchange. On the sixteenth there was a crash in the market, and within a week the panic had become general. It reached its height on October 24, and continued for many weeks after.<sup>3</sup> The response of the alien population to this disturbance was almost immediate, and manifested itself first in the emigration movement. In November the number of departures almost doubled. But the immigrants who were on the way could not be stopped, and in spite of the large exodus, there was a net gain of 38,207 during the month. The next month, December, however, saw a marked decrease in the stream of arrivals, which, accompanied by a departure of aliens almost as great as in November, resulted in a net decrease in population of 11,325 for the month. During the first six months of 1908 the number of arrivals was small, and the departures numerous, so that, with the exception of March, each month shows a net loss in population. During July the number of departures began to approach the normal (compare the months in 1908 with 1907 and 1910), but the arrivals were so few that there was still a decrease for the months of July and August. In September, 1908, the balance swung the other way, and from that time to the present every month has shown a substantial increase in population through the movement of aliens.

Thus we see that the period during which the number of alien laborers in the United States was decreasing was confined to the months December 1907 to August 1908 inclusive.<sup>4</sup> By the end of July, 1908, the effects of the crisis were practically over as far

<sup>3</sup> White, *Money and Banking*, (third edition), ch. xviii.

<sup>4</sup> The fact that in March, 1908, there was a gain of 31 is not a coincidence. The month of March is always a busy one in immigration, as it opens the spring season, and this influence was sufficient to check the prevailing movement temporarily.

as departures are concerned. It is evident, then, that the effects of the crisis on emigration were immediate, but not of very long duration. During the months of November and December, 1907, when the distress was the keenest, there were still large numbers of aliens arriving. But when the stream of immigration was once checked, it remained low for some time, and it was not until about January, 1909, that it returned to what may be considered a normal figure. The reasons for this are obvious. The stream of immigration is a long one, and its sources are remote. It takes a long time for retarding influences in America to be thoroughly felt on the other side. The principal agency in checking immigration at its source is the returning immigrant himself, who brings personal information of the unfortunate conditions in the United States. This takes some time. But when the potential immigrants are once discouraged as to the outlook across the ocean, they require some positive assurance of better times before they will start out again.

Now what catches the public eye in such an epoch as this, is the large number of departures. We are accustomed to immense numbers of arrivals and we think little about that side of it. But heavy emigration is a phenomenon, and accordingly we hear much about how acceptably our alien population serves to accommodate the supply of labor to the demand. But if we stop to add up the monthly figures, we find that for the entire period after the crisis of 1907, when emigration exceeded immigration, the total decrease in alien population was only 124,124—scarcely equal to the immigration of a single month during a fairly busy season. This figure is almost infinitesimal compared to the total mass of the American working people, or to the amount of unemployment at a normal time, to say nothing of a crisis.<sup>5</sup> It is thus evident that the importance of our alien population as an alleviating force at the time of a crisis has been vastly exaggerated. The most that can be said for it is that it has a very trifling palliative effect.

The really important relation between immigration and crises is much less conspicuous but much more far-reaching. It rests upon the nature and underlying causes of crises in this country. These are fairly well understood at the present time. A typical

<sup>5</sup> Mr. F. H. Streightoff shows that at the time the census of 1900 was taken, 2,634,336, or 11.1 per cent of all males over ten years of age who were engaged in gainful occupations in the United States were unemployed three months or more during the year. See *Standard of Living*, p. 35.

crisis may be said to be caused by speculative over-production, or over-speculative production. Some prefer to call the trouble under-consumption, which is much the same thing looked at from another point of view. Professor Irving Fisher has furnished a convenient and logical outline of the ordinary course of affairs.<sup>6</sup> In a normal business period some slight disturbance, such as an increase in the quantity of gold, causes prices to rise. A rise in prices is accompanied by increased profits for business men, because the rate of interest on the borrowed capital which they use in their business fails to increase at a corresponding ratio. If prices are rising at the rate of two per cent annually, a nominal rate of interest of six per cent is equivalent to an actual rate of only about four per cent. Hence, doing business on borrowed capital becomes very profitable, and there is an increased demand for loans.

This results in an increase of the deposit currency, which is accompanied by a further rise in prices. The nominal rate of interest rises somewhat, but not sufficiently, and prices tend to outstrip it still further. Thus the process is repeated, until the large profits of business lead to a disproportionate production of goods for anticipated future demand, and a vast over-extension of credit. But this cycle cannot repeat itself indefinitely. Though the rate of interest rises tardily, it rises progressively, and eventually catches up with the rise in prices, owing to the necessity which banks feel of maintaining a reasonable ratio between loans and reserves. Other causes operate with this to produce the same result. The consequence is that business men find themselves unable to renew their loans at the old rate, and hence some of them are unable to meet their obligations, and fail. The failure of a few firms dispels the atmosphere of public confidence which is essential to extended credit. Creditors begin to demand cash payment for their loans; there is a growing demand for currency; the rate of interest soars; and the old familiar symptoms of a panic appear. In this entire process the blame falls, according to Professor Fisher, primarily upon the failure of the rate of interest to rise promptly in proportion to the rise in prices. If the forces which give inertia to the rate of interest were removed, so that the rate of interest would fluctuate readily with prices, the great temptation to expand business unduly during a period of rising prices would be removed. It may well be conceived that there are other

<sup>6</sup> Fisher, *The Purchasing Power of Money*, p. 58 seq.

factors, besides the discrepancy between the nominal and real rates of interest, that give to business a temporary or specious profitability, and tend to encourage speculative over-production. But the influence of the rate of interest resembles so closely that resulting from immigration, that Professor Fisher's explanation is of especial service in the present discussion.

The rate of interest represents the payment which the entrepreneur makes for one of the great factors of productions—capital. The failure of this remuneration to keep pace with the price of commodities in general leads to excessive profits and over-production. The payment which the entrepreneur makes for one of the other factors of production—labor—is represented by wages. If wages fail to rise along with prices the effect on business, while not strictly analogous, is very similar to that produced by the slowly rising rate of interest. The entrepreneur is relieved of the necessity of sharing any of his excessive profits with labor, just as in the other case he is relieved from sharing them with capital. It would probably be hard to prove that the increased demand for labor results in further raising prices in general, as an increased demand for capital results in raising prices by increasing the deposit currency. But if the demand for labor results in increasing the number of laborers in the country, thereby increasing the demand for commodities, it may very well result in raising the prices of commodities as distinguished from labor, which is just as satisfactory to the entrepreneur. This is exactly what is accomplished when unlimited immigration is allowed. As soon as the conditions of business produce an increased demand for labor, this demand is met by an increased number of laborers, produced by immigration.

In the preceding paragraph it has been assumed that wages do not rise with prices. The great question is, is this true? This is a question very difficult of answer. There is a very general impression that during the last few years prices have seriously outstripped wages. Thus Professor Ely says, "Wages do not usually rise as rapidly as prices in periods of business expansion."<sup>7</sup> R. B. Brinsmade stated in a discussion at the last meeting of the American Economic Association that "our recent great rise of prices is acknowledged to be equivalent to a marked reduction in general wages."<sup>8</sup> Whether this idea is correct, and if correct, whether

<sup>7</sup> Ely, *Outlines of Economics*, p. 268.

<sup>8</sup> *Bulletin of the American Economic Association*, April, 1911, p. 253.

this effect had transpired in the years immediately previous to 1907, cannot be definitely stated. The index numbers of wages and prices given in the *Statistical Abstract of the United States*, for 1909 (p. 249), seem to show that during the years 1895 to 1907 money wages increased about *pari passu* with the retail prices of food, so that the purchasing power of the full-time weekly earnings remained nearly constant.

But whether or not money wages rose as fast as prices in the years from 1900 to 1907, one thing is certain, they did not rise any faster. That is to say, if real wages did not actually fall, they assuredly did not rise. But the welfare of the country requires that, in the years when business is moving toward a crisis, wages should rise; not only money wages, but real wages. What is needed is some check on the unwarranted activity of the entrepreneurs, which will make them stop and consider whether the apparently bright business outlook rests on sound and permanent conditions, or is illusory and transient. If their large profits are legitimate and enduring, they should be forced to share a part of them with the laborer. If not, the fact should be impressed upon them. We have seen that the rate of interest fails to act as an efficient check. Then the rate of wages should do it. And if the entrepreneurs were compelled to rely on the existing labor supply in their own country, the rate of wages would do it. Business expands by increasing the amount of labor utilized, as well as the amount of capital. If the increased labor supply could be secured only from the people already resident in the country, the increased demand would have to express itself in an increased wage, and the entrepreneur would be forced to pause and reflect. But in the United States we have adopted the opposite policy. In the vast peasant population of Europe there is an inexhaustible reservoir of labor, only waiting a signal from this side to enter the labor market—to enter it, not with a demand for the high wage that the business situation justifies, but ready to take any wage that will be offered, just so it is a little higher than the pittance to which they are accustomed at home. And we allow them to come, without any restrictions whatever as to numbers. Thus wages are kept from rising, and immigration becomes a powerful factor, tending to intensify and augment the unhealthy, oscillatory character of our industrial life. It was not by mere chance that the panic year of 1907 was the record year in immigration.

Against this point of view it may be argued that the legitimate

expansion of business in this country requires the presence of the immigrant. But if business expansion is legitimate and permanent, resting on lasting favorable conditions, it will express itself in a high wage scale, persisting over a long period of time. And the demand so expressed, will be met by an increase of native offspring, whose parents are reaping the benefit of the high standard of living. A permanent shortage of the labor supply is as abhorrent to Nature as a vacuum. Expansion of any other kind than this ought to be hampered, not gratified.

There is one other way in which immigration, as it exists at present, influences crises. In considering this, it will be well to regard the crisis from the other point of view—as a phenomenon of under-consumption. Practically all production at the present day is to supply an anticipated future demand. There can be no over-production unless the actual demand fails to equal that anticipated. This is under-consumption. Now the great mass of consumers in the United States is composed of wage earners. Their consuming power depends upon their wages. In so far as immigration lowers wages in the United States, or prevents them from rising, it reduces consuming power, and hence is favorable to the recurrence of periods of under-consumption. It is not probable, to be sure, that a high wage scale in itself could prevent crises, as the entrepreneurs would base their calculations on the corresponding consuming power, just as they do at present. But a high wage scale carries with it the possibility of saving, and an increase of accumulations among the common people. It is estimated at the present time that half of the industrial people of the United States are unable to save anything.<sup>9</sup> This increase in saving would almost inevitably have some effect upon the results of crises, though it must be confessed that it is very difficult to predict just what this effect would be. One result that might naturally be expected to follow would be that the laboring classes would take the opportunity of the period of low prices immediately following the crisis to invest some of their savings in luxuries which hitherto they had not felt able to afford. This would increase the demand for the goods which manufacturers are eager to dispose of at almost any price, and would thereby mitigate the evils of the depressed market. It is probably true that the immigrant, under the same conditions, will save more out of a given wage, than the native, so that

<sup>9</sup> Streightoff, *The Standard of Living*, p. 24.

it might seem that an alien laboring body would have more surplus available for use at the time of a crisis than a native class. But the immigrant sends a very large proportion of his savings to friends and relatives in the old country, or deposits it in foreign institutions, so that it is not available at such a time. Moreover, our laboring class is not as yet wholly foreign, and the native has to share approximately the same wage as the alien. Without the immense body of alien labor, we should have a class of native workers with a considerably higher wage scale, and a large amount of savings accumulated in this country, and available when needed.

On the other hand, it may be argued that if the desire to purchase goods in a depressed market should lead to a large withdrawal of cash from savings banks and similar institutions, it might tend to augment rather than alleviate the evils of a money stringency. There seems to be much force to this argument. Yet Mr. Streightoff tells us that in a period of hard times the tendency is for the poorer classes to increase their deposits, rather than diminish them.<sup>10</sup> On the whole, it seems probable that a large amount of accumulated savings in the hands of the poorer classes would tend to have a steadying influence on conditions at the time of a crisis, and that by preventing this, as well as in other ways, immigration tends to increase the evils of crises.

In closing, it may be interesting to note what are the elements in our alien population which respond most readily to economic influences in this country, and hence are mainly accountable for the influences we have been considering. As stated above, the annual reports of the Commissioner General of Immigration give very complete data as to the make-up of the incoming and outgoing streams by years. Thus in the fiscal year 1908 there were 782,870 immigrant aliens and 141,825 nonimmigrant aliens admitted. Of the nonimmigrant aliens, 86,570 were individuals whose country of last permanent residence and of intended future residence, were both the United States; that is, they were alien residents of this country who had been abroad for a brief visit. These are the birds of passage in the strictest sense, in which we shall use the term hereafter. In the same year there was a total exodus of 714,828 aliens, of whom 395,073 were emigrants and 319,755 nonemigrants. The former class includes those who have made their fortune in this country and are going home to spend it, and those who have failed, and are going home broken and discouraged—a very large

<sup>10</sup> Streightoff, *The Standard of Living*, p. 111.

number in this panic year. The latter class includes aliens who have had a permanent residence in the United States, but who are going abroad to wait till the storm blows over, with the expectation of returning again—true birds of passage outward bound. There were 133,251 of these. The balance were aliens in transit, and aliens who had been in this country on a visit, or only for a short time. In 1909 there were 751,786 immigrant aliens and 192,449 nonimmigrant aliens. Of the nonimmigrants 138,680 were true birds of passage according to the above distinction—a large number and almost exactly equal to the number of departing birds of passage in the previous year. The storm is over, and they have come back. The departures in that year numbered 225,802 emigrant and 174,590 nonemigrant aliens. These numbers are considerably smaller than in the previous year, but are still large, showing that the effects of the crisis were still felt in the early part of this fiscal year. The number of birds of passage among the non-emigrant aliens, 80,151, is much smaller than in the previous year. In 1910 there were 1,041,570 immigrant aliens and 156,467 nonimmigrant aliens. In the latter class, the number of birds of passage, 94,075, again approximated the corresponding class among the departures of the previous year. The departures in 1910 were 202,436 emigrant aliens and 177,982 nonemigrant aliens, of whom 89,754 were birds of passage. This probably comes near to representing the normal number of this class. A careful study of these figures confirms the conclusion reached above. While a crisis in this country does undoubtedly increase the number of departing aliens, both emigrant and nonemigrant, and eventually cuts down the number of arrivals, the total effect is much smaller than is usually supposed, and taken in connection with the fact that the stream of arrivals is never wholly checked, the influence of emigration in easing the labor market is absolutely trifling.

Comparing the different races in regard to their readiness to respond to changes in economic conditions, it appears that the Italians stand easily at the head, and the Slavs come second. In 1908, in the traffic between the United States and Italy, there was a net loss in the population of this country of 79,966; in 1909, a net gain of 94,806. In the traffic between this country and Austria-Hungary there was a loss in 1908 of 5,463; in 1909 a gain of 48,763. In the traffic with the Russian Empire and Finland there was a gain of 104,641 in 1908 and a gain of 94,806 in 1909. This shows how unique are the motives and conditions which con-

trol the emigration from the two latter countries. The emigrants from there, particularly the Jews, come to this country to escape intolerable conditions on the other side, not merely for the sake of economic betterment. They prefer to endure anything in this country, rather than to return to their old home, even if they could.

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